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February 20, 2008

AGENDA ITEM 4b

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

I. SUBJECT: Health and Disease Management Initiative Update

II. PROGRAM: Health Benefits

III. RECOMMENDATION: Information Only

IV. INTRODUCTION:

At the January 2008 CalPERS Board offsite meeting, Mercer presented an update on the key components and objectives of the Health and Disease Management Initiative, which CalPERS launched with Mercer in October 2007. This agenda item provides an update on the project's status and next steps.

V. BACKGROUND:

The Health Benefits Branch (HBB) is working on an initiative to design, develop and execute a best-in-class Health and Disease Management Program. This initiative focuses on the following four specific areas:

- Developing consistent disease management performance monitoring metrics
- Assessing current health plan capabilities
- Analyzing current cost drivers
- Recommending long-term future directions, including an assessment of the feasibility of carving-out components of the program

The following is an update on disease management performance monitoring metrics and current health plan capabilities.

A. Update on Disease Management Performance Monitoring Metrics

In November and December 2007, CalPERS staff, with the assistance of Mercer, expanded and further developed existing comprehensive measures for the five key disease states of asthma, chronic obstructive pulmonary disease, coronary artery disease, congestive heart failure, and diabetes.

On November 26, 2007, CalPERS released a survey requesting that the contracting health plans respond regarding their willingness and ability to report each of these measures. The health plans provided their responses to Mercer and CalPERS in mid-December. Mercer used the survey responses to assess the overall reporting capability of the plans and to identify areas of focus for site visits with each plan.

Using the feedback from the survey results and site visits, Mercer is developing additional refinements to the set of measures for CalPERS staff's review. These refinements will focus on measures that all plans can report consistently for their CalPERS population. In addition, Mercer is developing recommendations to CalPERS staff regarding the frequency of reporting these measures. Some recommended measures will require future development efforts because these measures are only available from medical records.

CalPERS staff will continue to work with the health plans to develop the processes and systems necessary to report, capture, and analyze measures to meet the requirements of CalPERS. In addition, CalPERS staff will:

- Specify to the plans the frequency that plans will report measures
- Continue to evaluate health plan reporting for timeliness, accuracy, consistency, and usefulness in terms of supporting both near term process improvements as well as long term strategic planning
- Continue to refine the processes for reporting measures to the Board
- Provide clear feedback to the plans

B. Key Findings of Current Health Plan Capabilities

The November 26, 2007 survey also required health plans to report on their current health and disease management capabilities and approaches, as well as any future development plans and timelines.

Mercer analyzed survey responses to prepare assessments for health plan site visits that occurred in January at each health plan.

During the site visits, CalPERS staff and Mercer observed live and mock scenario coaching calls to assess quality of intervention service delivery, and evaluated integration between health and disease management program components and coordination of these services with physician care. These site

visits also enabled Mercer to document the completeness, effectiveness, and consistency of health and disease management programs at each of the plans.

Mercer evaluated each plan's health and disease management programs in relation to current best practices in the marketplace. Highlights of the findings are:

- All health plans offer the core components of health and disease management, which include:
 - Health Risk Assessment (HRA)
 - Web Portals with health information and education
 - Lifestyle Modification (LM) programs
 - Nurse Line (NL) services
 - Disease Management (DM) programs
- Within each health and disease management program component, there are varying degrees of capability and achievement of best practice, which will be reported in detail in the Mercer report.
- In each plan, there are opportunities to improve the coordination of care and integration between programs and services for members across the health continuum.
- Each health plan has a unique philosophy and approach for managing the health of its member populations and delivering its respective programs and services. This results in disparities between the health plans in terms of the populations being managed, as well as how, when and where each respective target population receives appropriate programs and services. Key fundamental differences include the following:
 - The role of the physician in the delivery and support of programs
 - Processes for identifying and stratifying members into programs
 - Member engagement procedures, including number and frequency of calls, emails and mailings, and use of care managers
 - Protocols, tools and resources to facilitate coordination of care and integration between programs and services
 - Electronic capabilities to monitor, track, and generate reports on performance of programs
- Overall aggregate reporting capabilities vary among plans, as follows:
 - Process, outcome, and impact metrics for each of the key disease states vary between health plans, making it very difficult for CalPERS to assess the impact of these programs at a population level and monitor performance.
 - Plan processes to track, monitor and report general process metrics, such as participation and engagement, vary among plans.
 - Health plan reports do not consistently include the financial impact of programs, although some of the programs have not been in place for a sufficient time to allow for financial analysis. None of the plans are

looking at total cost and total impact of all programs and services; rather they consider impact in program silos.

C. Conclusion/Next Steps:

Mercer will provide a more detailed presentation on metrics and health plan capabilities at the February Health Benefits Committee (HBC), and will provide additional reports in future HBC meetings as follows:

March 2008 - Analysis of key cost drivers and suggested performance monitoring approach

April 2008 - Full results of the initiative, including:

- Specific recommendations for the long-term direction of the health and disease management program
- Assessment of the feasibility of carving out components of the program
- How this initiative could fit within the Single Health Benefits Administrator Initiative

The long-term benefit derived from this initiative will be a healthier member population and lower costs from well-managed chronic conditions.

VI. STRATEGIC PLAN:

This request relates to Goals X and XI of the strategic plan which state:

- “Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers.”
- “Promote the ability of members and employers to make informed decisions resulting in improved lifestyle choices and health outcomes.”

VII. RESULTS/COSTS:

This is an information item only.

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